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Posted on Fri, Dec. 24, 2004

**Group to appeal tobacco-payout ruling**
**FARMERS ANGRY THAT THEY WON'T RECEIVE LAST OF PHASE II MONEY**

ASSOCIATED PRESS

**RALEIGH, N.C.** - A group overseeing payments to tobacco farmers and quota holders from a 1999 settlement said yesterday that it will appeal a judge's decision that cigarette companies don't have to make the last of those payments.

The board overseeing distribution of the payments, called Phase II funds, filed the notice of appeal in North Carolina Business Court.

Judge Ben Tennille angered farmers Wednesday when he ruled that cigarette companies didn't have to make final annual payments to growers because the 1999 settlement was superseded by Congress' approval of a \$10.1 billion tobacco buyout this fall.

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In 1999, the four major tobacco companies agreed to make \$5.15 billion in Phase II payments over 12 years to compensate growers and quota holders for losses stemming from the \$206 billion tobacco settlement.

The final payments under the settlement would have totaled \$430 million in 14 tobacco-producing states, including Kentucky.

Will Snell, a professor of agricultural economics at the University of Kentucky, has estimated the loss of Phase II payments could amount to \$130 million statewide.

Farm advocates said the ruling, if it holds up under appeal, means farmers who were counting on a check this month won't have money to buy supplies for the 2005 crop or to pay debts.

"I hope Judge Tennille has a merry Christmas," said Larry Wooten, president of the N.C. Farm Bureau. Wednesday's "ruling makes it hard for North Carolina farmers to truly have a merry Christmas. His ruling will cause many farmers and communities in rural North Carolina to suffer."

John Davis, executive director of the state's Phase II Tobacco Certification Entity, said the appeals would delay any payments for a few months.

In addition to rejecting the demand that the last payment be made into the fund, Tennille told the states to work out a plan to refund previous payments being held until the Dec. 31 payout date.

The appeal puts that refund plan on hold, Davis said.

Cigarette maker Philip Morris USA said in a statement yesterday that when the trust was created, it was "with an understanding by all parties that the companies' payments would cease if a tobacco quota buyout funded by the companies was passed."

Philip Morris expects the buyout payments to start next year.

Farmers also are affected in North Carolina, Tennessee, South Carolina, Virginia, Georgia, Ohio, Indiana, Florida, Missouri, West Virginia, Alabama, Maryland and Pennsylvania.

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